


## Revenue and Resource Development

- **User Fee Study**
- **Contracting-In Opportunities**
- **Arts Funding**
- **New Revenue Options**

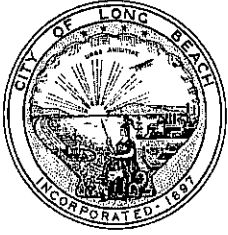
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## Performance Management

- **Department Strategic Business Plans:** *establishes a plan for achieving the City Council and community's priorities*
- **Performance-Based Program Budget:** *aligns budget allocations with program services and performance data*
- **Tracking and Reporting Performance:** *provides information for continuous service and efficiency improvement to City Council, public, and employees*
- **Evaluate Results and Improve Service Delivery and Allocations:** *provides information for continuous service and efficiency improvement*

6



# CITY OF LONG BEACH

## DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Boulevard 6<sup>th</sup> Floor • Long Beach, CA 90802

May 10, 2005

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

### RECOMMENDATION:

Refer the Fiscal Year 2005 Midyear Budget Performance Report to the Budget Oversight Committee (Citywide)

### DISCUSSION

This report provides a summary update on the City's Fiscal Year 2005 (FY 05) budget performance through March 2005. The report covers a broad spectrum of financial information for all funds and departments with multi-year comparisons, charts and graphs to provide a clearer picture of the City's financial situation. While the focus of this report is on the General Fund, any significant issues in other funds are noted accordingly.

### **Summary**

As of the Midyear, the Current Adjusted Budget for appropriations for all Departments and all funds is \$2.16 billion. The Current Adjusted Budget for revenues for all Departments and all funds is \$1.72 billion. For the General Fund, the Current Adjusted Budget appropriation for all Departments is \$377.6 million and the Current Adjusted Budget revenues for all Departments are \$363.8 million. The difference between budgeted revenue and expense reflects the use of fund balance, transfers and use of bond proceeds. With 50 percent of the year complete, aggregate revenues and expenditures appear to be trending according to budget.

FY 05 is the second year of the Three-Year Financial Strategic Plan (Plan). As such, over \$72 million in structural budget solutions have been included in the General Fund Budget and related funds over the past two fiscal years. These solutions, which have included the reduction of programs, services and positions, as well as increased revenue and cost recovery, have placed a significant strain on the organization as it downsizes and becomes more efficient. While these solutions have been reflected in the budget, several key measures must be fully implemented to realize structural savings, including \$3 million in negotiated compensation solutions and \$5 million in anticipated salary savings. Furthermore, while resources required to provide public safety, maintenance, library, recreation and other general government services have been reduced significantly, demand for services continues to grow. As a result, departments' ability to remain within appropriation limits while providing high quality service will be a continued challenge as the City implements the Plan and restores equilibrium between the services it provides and the resources available to support them.

General Fund revenues for the current year are \$189.4 million, or \$10.3 million more than last year at this time. Overall, General Fund revenue estimates-to-close are at \$365.6 million, which is approximately 0.5 percent more than Current Adjusted Budget. This could equate to over \$1.8 million revenue available for next fiscal year.

**Attachment A** includes details on the Top 40 General Fund revenues, which combined represent about 91 percent of total revenue. **Attachment B** provides year-to-year analysis on the Top 15 revenue sources, which represents over 30 percent of General Fund revenue. Revenue within the Top 15 categories is on target at 52.5 percent of budget and slightly above FY 04 March YTD actuals.

#### **General Fund Revenue By Department**

At the Department level, **Attachment C** provides a summary of General Fund revenue performance. General Fund revenue by department is, among other reasons, impacted by the variances mentioned in the previous section. Many of the departmental variances are captured in the footnotes of this attachment to reflect the continuing impact of the variance. Revenue estimates-to-close for most departments are trending according to budget with several departments estimating revenues higher than the Adjusted Budget revenue.

#### **FY 05 General Fund Expenditure Performance**

**Attachment D** illustrates current expenditure levels for all funds. Expenditures in all funds are at 38.3 percent of budget, due to All Years Funds Carry-over, Capital Improvement Funds and Interfund Transfers. Expenditures for funds without All Years Carry-over are at 50 percent. At midyear, General Fund expenditures are at \$182 million (or 48.2 percent of budget).

Given remaining deficit reduction targets in the Three-Year Financial Strategic Plan for FY 05 and FY 06, it is imperative that maximum savings are generated during the current fiscal year to address current year targets, and to generate resources to balance the FY 06 budget. Given the extent of reductions made to department budgets during FY 04 and FY 05, generating substantial savings has become extremely difficult, especially with the continued expectations for full service delivery to the community. In February, the City Manager reinstated a strict hiring freeze and purchasing curtailment policies with the intent to generate savings to help address the City's ongoing budget challenges. As a result, General Fund Personal Services expenditures are \$133.3 million (or 47.3 percent of the budget.) Based upon midyear estimates-to-close, it appears that General Fund expenditures will finish the year at 99.8% of adjusted budget, generating less than \$1 million in carry-over savings. It is important to note that this projection is based on initial estimates-to-close, which will be revised monthly to reflect urgent operational needs and savings efforts.

#### **FY 05 General Fund Expenditures By Department**

As noted above, total General Fund spending is on target at 48.2 percent, with most departments have spent between 35 to 50 percent of their budget. Please see **Attachment E** for a listing of all departments' expenditure performance through March 2005, with no significant exceptions to report.

revenue generating positions are also being filled. As of March 31, 2005, the following vacancies exist:

- For City Manager-directed departments, General Fund vacancies total 179, with another 20 vacancies in Non-City Manager departments.
- Of the 199 vacancies in the General Fund, there are 68 sworn and dispatcher vacancies (resulting from attrition), and 131 civilian vacancies.\*\*
- General and Related Fund vacancies total 263 citywide, and vacancies in all funds total 476 citywide.

\*\*Note that critical positions, such as sworn police and fire, and emergency dispatchers, among others, are exempt from the hiring freeze.

### **Other Funds and Performance Issues**

#### **Storm Damage Costs**

Due to the record-setting storm season California has experienced, there has been a significant increase in tree removals, traffic support, beach maintenance, street repairs and public safety services. As a result, an unanticipated increase in overtime and other expenses has occurred. Since the Governor declared a State of Emergency due to storm damage, the City has submitted a request for reimbursement of these storm-related expenses totaling \$6.1 million from the state and federal governments. The Department of Financial Management will monitor this submittal and assess the extent of strain put on the General Fund should reimbursements not materialize.

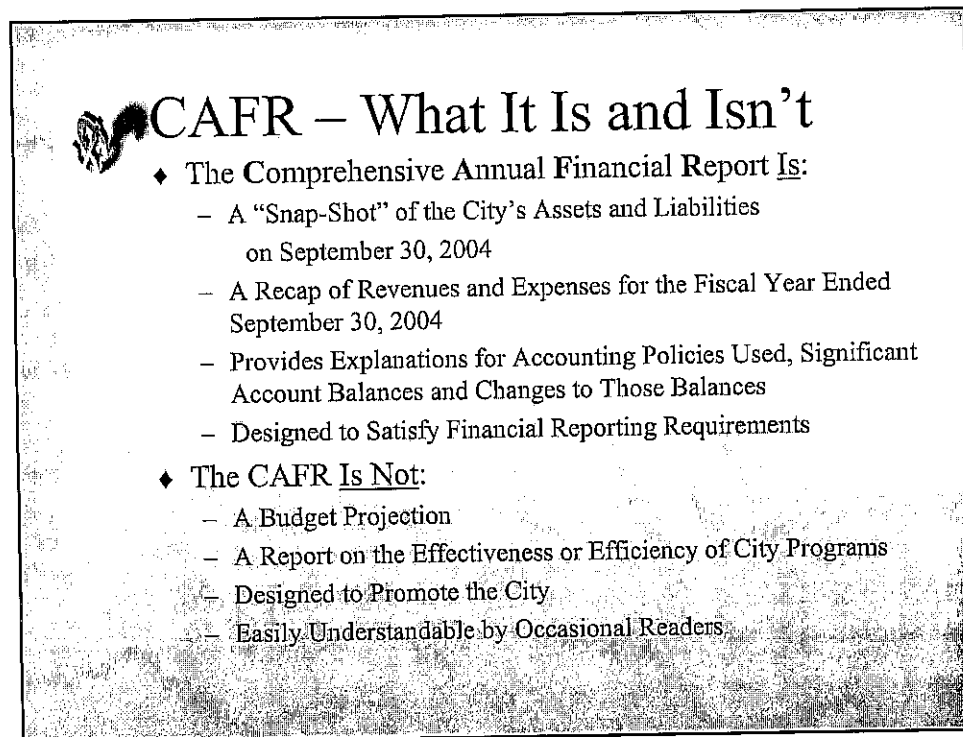
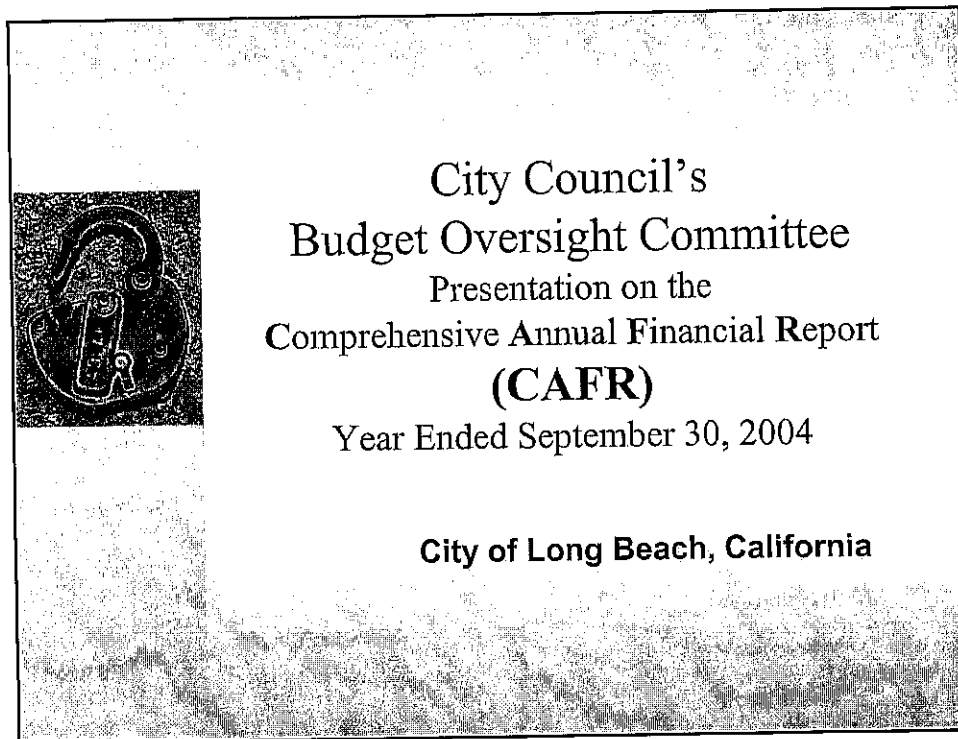
#### **Oil Revenues**

As in FY 04, oil prices continue to rise at a record pace with Wilmington Crude averaging \$35.78/bbl for the fiscal year through February, resulting in additional revenue. Higher expenses associated with increased drilling activity are offsetting, to a large extent, the short-term profitability of the oil operation. Some relief is expected in the form of higher profit transfers to the Tidelands Operating Fund (TOF) and the General Fund. Oil Properties recently increased projections for transfers to TOF by \$1.9 million and to the General Fund by \$1.1 million, increasing the total expected transfers to \$7.9 million and \$7.6 million respectively.

#### **Community Development Block Grant Funding**

In preliminary budget sessions, the House of Representatives and the U.S. Senate passed their versions of the Federal Budgets defining targets for spending in broad categories. This included the CDBG program, which saw severe reductions in the House version and restoration in the Senate. The debate on CDBG's future will take place in conference, thereby alleviating the possibility of reductions in CDBG funding for FY 05.

The Midyear Budget Performance Report has identified key performance areas for your consideration. Despite some varied performance in both General Fund revenues and expense, they do not warrant concern or require significant operational changes. All General Fund departments have been instructed to maximize departmental savings and revenue generation to provide resources to achieve FY 05 and FY 06 savings targets. The hiring freeze and spending curtailment policies will continue to create savings opportunities. We





## Financial Section (pgs. 1 – 120)

- ◆ Auditor's Opinion (pgs. 1-2 ):
  - City Management and City Auditor Responsibilities
  - Auditing Standards Applied
  - Scope of the Audit
  - Unqualified (Clean) Opinion
- ◆ Other Financial Audits Conducted Annually:
  - Redevelopment Agency, Housing Development Company, Water/Sewer, Harbor, Gas, Single Audit (federal grants), SERRF, Airport, Aquarium, Parking Authority, Housing Authority and Long Beach Transit



## Financial Section (continued)

- ◆ Management Discussion & Analysis (pgs. 3-22):
  - Analysis of the City's Financial Position and Changes in Financial Position During the Year
  - Definitions of the Financial Statements Presented:
    - Government-wide Financials (consolidated)
    - Fund Financial Statements (Individual Major Funds)
  - Capital Asset Summary
  - Debt Summary
  - Brief Discussion on the FY 05 Budget



## Statistical Section (pgs. 155-182)

- ◆ 10-Year Trends for Certain Expenses and Revenues
- ◆ Local/Regional Trend Information – Assessed Property Values, Taxes Levied and Debt Outstanding
- ◆ 10-Year Demographic Trends – Population, Age, School Enrollment, Unemployment Rate
- ◆ City's Top 10 Assessed Property Values
- ◆ Various City Operating/Demographic Statistics
- ◆ Listing of Insurance Carried by the City